

Program A: Financial Assistance

Program Authorization: R.S. 51:2301 et seq.; R.S. 36:109(N); Act 279 of 1995; Act 17 of 1996

PROGRAM DESCRIPTION

The mission of the Financial Assistance Program is to serve as a catalyst for capital to all Louisiana existing and emerging businesses, enabling new business to form and to provide for sustained economic growth of our state, thus providing an improved quality of life for it's citizens.

The goals of the Financial Assistance Program are:

1. Provide a reliable system of communications, efficient information systems, and well-trained human resources to administer LEDC's programs.
2. Provide access to capital for Louisiana emerging and existing businesses, enabling new enterprises.
3. Utilize portfolio management to direct the resources of LEDC to help promote a growing and diverse economy in the state.

GENERAL PERFORMANCE INFORMATION: LEDC FIVE - YEAR INVESTMENT TOTALS

INVESTMENT TOTALS	PRIOR YEAR ACTUAL FY 1994-95	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99	TOTAL
Small Business Loan Program	\$1,856,554	\$3,520,606	\$4,454,498	\$879,608	\$4,912,575	\$15,623,841
Venture Capital Program	\$350,000	\$0	\$372,434	\$6,250,000	\$670,578	\$7,643,012
BIDCO Investment Program	\$1,000,000	\$0	\$1,350,000	\$3,425,000	\$0	\$5,775,000
Small Business Innovative Research Grant Program	\$0	\$0	\$0	\$0	\$0	\$0
Micro Loan Program	\$157,000	\$0	\$26,750	\$52,000	\$50,294	\$286,044
Totals	3,363,554	3,520,606	6,203,682	18,523,608	\$5,633,447	\$37,244,897

GENERAL PERFORMANCE INFORMATION: NUMBER OF APPROVED PROJECTS

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1994-95	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Small Business Loan Program	14	17	20	40	24
Venture Capital Program	1	0	2	4	5
BIDCO Investment Program	2	0	1	3	0
Small Business Innovative Research Grant Program	0	0	0	0	0
Micro Loan Program	6	0	1	2	5
Linked Deposit	72	92	70	70	91
Total	95	109	94	119	133
Total Operating Cost	\$469,049	\$522,612	\$589,251	\$617,509	\$696,778
Total Approved Application	\$4,937	\$4,795	\$6,268	\$5,189	\$5,258

GENERAL PERFORMANCE INFORMATION: COLLECTION RATES BY LOAN TYPE AS A PERCENTAGE OF TOTAL DOLLARS: LOANS WITHIN 90 DAYS

LOAN TYPE	PRIOR YEAR ACTUAL FY 1994-95	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Guaranty	87.4%	96.9%	99.4%	98.5%	97.6%
Participation	100%	100%	100%	99.0%	100%
Direct	83%	100%	91.8%	88.7%	90.7%

OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2000-2001. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

The objectives and performance indicators that appear below are associated with program funding in the Base Executive Budget for FY 2000-01. Specific information on program funding is presented in the financial sections that follow performance tables.

1. (KEY) To allocate budgeted funds across LEDC's financial assistance programs to achieve the best portfolio management and maximize earnings.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of new approved long term investments and loan participation's that are seven (7) years or greater	Not applicable ¹	8.8%	Not applicable ¹	10%	10%	10%
K	Percentage of new approved medium term investments and loan guarantees that are three (3) plus years to seven (7) years	Not applicable ¹	53%	60% ¹	60%	60%	60%
K	Percentage of new approved short-term investments and loan guarantees that are three (3) years or less	Not applicable ¹	30%	Not applicable ¹	30%	30%	30%

¹ New indicators added for FY 2000-2001, therefore the indicator has no yearend standard for FY 1998-1999, or an Act 10 standard for FY 1999-2000.

2. (KEY) To maximize leverage such that 11% of all new approvals of loan guarantees are below the maximum guarantee percentage allowed by the rules.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of new approvals of loan guarantees that are below the maximum guarantee percentage	Not applicable ¹	8.8%	Not applicable ¹	10%	11%	11%

¹ New indicator added for FY 2000-2001, therefore the indicator has no yearend standard for FY 1998-1999, or Act 10 standard for FY 1999-2000.

3. (KEY) To maximize income on bank certificates of deposits by targeting the minimum rate of at least the federal reserve lending rate plus 1/4%.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of certificates of deposit purchased that meet the minimum rate	Not applicable ¹	Not available	Not applicable ¹	100%	100%	100%

¹ New indicator added for FY 2000-2001, therefore the indicator has no yearend performance standard for FY 1998-1999, or an Act 10 standard for FY 1999-2000.

4. (KEY) To market Louisiana Economic Development Corporation's financial assistance programs by presenting seminars to 25% of the total number of Louisiana banks annually.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of total Louisiana banks where seminars are held by Louisiana Economic Development Corporation ¹	Not applicable ²	Not available	Not applicable ²	25%	25%	25%

¹ There are approximately 250 banks located within the State of Louisiana.

² New indicator added for FY 2000-2001, therefore the indicator as no yearend performance standard for FY 1998-1999, or an Act 10 standard for FY 1999-2000.

5. (KEY) To achieve a balanced risk level so that the annual loan charge-off percentage level is less than 10%.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of annual loan charge-off	Not applicable ¹	6.1%	Not applicable ¹	8.8%	8.8%	8.8%

¹ New indicator added for FY 2000-2001, therefore the indicator as no yearend performance standard for FY 1998-1999, or an Act 10 standard for FY 1999-2000.

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$500,000	\$500,000
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	0	200,000	200,000	0	0	(200,000)
Statutory Dedications	6,331,678	12,202,655	12,202,816	12,216,845	12,216,769	13,953
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	<u>\$6,331,678</u>	<u>\$12,402,655</u>	<u>\$12,402,816</u>	<u>\$12,216,845</u>	<u>\$12,716,769</u>	<u>\$313,953</u>
EXPENDITURES & REQUEST:						
Salaries	\$343,675	\$396,283	\$388,367	\$398,718	\$398,718	\$10,351
Other Compensation	4,518	0	0	0	0	0
Related Benefits	59,385	64,912	72,828	74,251	77,042	4,214
Total Operating Expenses	88,500	86,004	89,274	91,848	87,796	(1,478)
Professional Services	0	0	0	0	0	0
Total Other Charges	5,813,333	11,855,456	11,851,536	11,652,028	12,153,213	301,677
Total Acq. & Major Repairs	22,267	0	811	0	0	(811)
TOTAL EXPENDITURES AND REQUEST	<u>\$6,331,678</u>	<u>\$12,402,655</u>	<u>\$12,402,816</u>	<u>\$12,216,845</u>	<u>\$12,716,769</u>	<u>\$313,953</u>
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	8	8	8	8	8	0
Unclassified	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
TOTAL	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>0</u>

SOURCE OF FUNDING

The Financial Assistance program is composed of the activity Capital Accessibility. The Capital Accessibility activity is funded from General Fund, Self-generated Revenues and Statutory Dedications. The Self-generated Revenues were established by Act 70 of the 1998 Regular Session, which allows each certified Louisiana capital company to be assessed a fee for a study of the LA Capital Companies Tax Credit Program (CAPCO). The fee is based on a pro rata share of the cost of the study based upon their total certified capital as of December 31, 1998. The Statutory Dedication is from the Louisiana Economic Development Fund, which was established by Act 34 of 1991. (Per R.S.39: 32B. (8), see table below for a listing of expenditures out of each statutory dedicated fund.) Act 1186 of 1995 authorized 37% of the vendor compensation deduction to be dedicated to the Louisiana Economic Development Fund through June 30, 1996. Effective July 1, 1996, Act 32 of the First Special Session of 1996 redirected the deposit of vendor compensation collections into the Workforce Development and Training Fund. This fund was established by Act 483 of 1995 and is utilized for the Workforce Development and Training Activity now located in the Office of the Secretary.

Louisiana Economic Development Fund

	ACTUAL	ACT 10	EXISTING	CONTINUATION	RECOMMENDED	RECOMMENDED
	1998-1999	1999- 2000	1999- 2000	2000 - 2001	2000 - 2001	OVER/(UNDER) EXISTING
	\$6,331,678	\$12,202,655	\$12,202,816	\$12,216,845	\$12,216,769	\$13,953

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$12,402,655	9	ACT 10 FISCAL YEAR 1999-2000
			BA-7 TRANSACTIONS:
\$0	\$161	0	Carryforward for replacement back-up tape needed for server
\$0	\$12,402,816	9	EXISTING OPERATING BUDGET – December 3, 1999
\$0	\$6,382	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$0	\$5,392	0	Classified State Employees Merit Increases for FY 2000-2001
\$0	\$1,323	0	Risk Management Adjustment
\$0	(\$650)	0	Non-Recurring Acquisitions & Major Repairs
\$0	(\$161)	0	Non-Recurring Carry Forwards
\$0	(\$8)	0	UPS Fees
\$0	(\$2,377)	0	Salary Funding from Other Line Items
\$0	\$321	0	Civil Service Fees
\$0	(\$200,000)	0	Other Non-Recurring Adjustments - CAPCO Study
\$0	\$3,731	0	Other Adjustments - Indirect Cost Adjustment
\$500,000	\$500,000	0	Funding enhancement to the La. Economic Development Corporation (LEDC) to provide financial assistance and capital programs for Louisiana businesses
\$500,000	\$12,716,769	9	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$500,000	\$12,716,769	9	BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL

			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$500,000	\$12,716,769	9	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 102.5% of the existing operating budget. It represents 47.9% of the total request (\$26,538,328) for this program. The major changes reflected in the analysis of recommendation include: decreased funding for a Non-Recurring adjustment for a CAPCO Study -\$200,000; increased funding for the IDB Conference \$500,000.

PROFESSIONAL SERVICES

This program does not have funding for Professional Services for Fiscal Year 2000-2001.

OTHER CHARGES

\$11,470,243	Financial Assistance Programs - La. Small Business Loan Program, Venture Capital Incentive Program, Business and Industrial Development Corporation (BIDCO), Micro-loan Program, Contract Loan Program, Miscellaneous Loan related charges
\$500,000	Inter-American Development Bank (IDB) Conference - objective of the meeting will be to demonstrate how technology will revolutionize developing countries in the coming century
\$28,000	Independent CPA Audit Services as required by Legislation establishing the Louisiana Economic Development Fund
\$13,470	Special Marketing Activities - Financial Assistance Investment workshops, planning, training and other services
\$12,011,713	SUB-TOTAL OTHER CHARGES
	Interagency Transfers:
\$139,807	Reimbursement to the Office of the Secretary for support services
\$1,356	Pro-rata share of cost of operations for the Department of Civil Service
\$92	Pro-rata share of cost of operations of the Comprehensive Public Training Program
\$245	Pro-rata share of cost of operations of the Uniform Payroll System
\$141,500	SUB-TOTAL INTERAGENCY TRANSFERS
\$12,153,213	TOTAL OTHER CHARGES

ACQUISITIONS AND MAJOR REPAIRS

This program does not have funding for Acquisitions and Major Repairs for Fiscal Year 2000-2001.